

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

OCT 10 1998

In the Matter of

**Revised Universal Service Worksheet,
FCC Form 457**

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**CC Docket Nos. 97-21, 96-45
DA No. 98-1519**

**COMMENTS
OF THE
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) hereby submits its comments in favor of the Personal Communications Industry Association's (PCIA) Petition for Reconsideration in the above-referenced proceedings that requests removal of Line 48 from FCC Form 457, the Universal Service Worksheet.¹ USTA is the principal trade association of the local exchange carrier industry and has approximately 1,200 carrier members.

In its Petition, PCIA addresses the unfair effect that the addition of Line 48 to the Universal Service Worksheet, which includes the revenues derived from charges assessed on end-users to recover contributions to state or federal universal service support mechanisms, has on the calculation of the federal universal service obligations of telecommunications carriers.² Since these revenues are included in the universal service contribution base of the reporting telecommunications carrier, PCIA correctly claims that this results in an improper and unfair

¹Notice of PCIA's petition was provided in the *Federal Register* on September 28, 1998, 63 *Fed. Reg.* 51576.

²Line 48 was added to Form 457 in a Public Notice, *Division Announces Release of Revised Universal Service Worksheet, FCC Form 457, CC Docket Nos. 97-21, 96-45, DA 98-1519* (released July 31, 1998) (*Notice*).

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double recovery of universal service funds. GTE Service Corporation (GTE) filed comments in support of the Petition on September 10, 1998.

USTA urges the Commission to grant the PCIA Petition for several reasons. First, the Commission's Accounting Policy Division issued its *Notice* adopting the disputed change in the Universal Service Worksheet without any opportunity for public comment. The addition constitutes a change in public policy affecting universal service that administratively requires an opportunity for interested parties to provide their analysis of the anticipated effects of the proposed policy.

Second, the addition of Line 48 amounts to a double counting of revenues that is inconsistent with Section 254 of the Communications Act of 1934, as amended.³ As PCIA succinctly described, the inclusion of Line 48 in the subtotal of revenue from which the contribution factor is derived creates a circular formula that increases each carrier's contribution amount that then increases the amount end users must contribute. USTA does not oppose carriers recovering their universal service contribution from their customers through a surcharge. However, this double recovery results in an improper increase in the contribution factor adopted by the Commission for universal service funding and increases the amount each carrier must then seek to recover from its own customers. The revision to Form 457 should not be allowed to stand.

Third, the recovery method imposed by the addition of Line 48 is not competitively neutral. Each telecommunications carrier should recover its universal service contribution from

³47 U.S.C. §254.

its customers in a competitively neutral manner, but, as discussed above, this method results in an increased amount that the carriers who collect end-user charges have to pay for their universal service contribution. It is, therefore, not competitively neutral and should be eliminated.

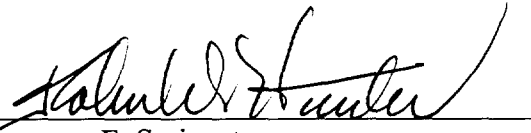
For the reasons stated herein, USTA urges the Commission to grant PCIA's Petition for Reconsideration and remove Line 48 from the Universal Service Worksheet.

Respectfully submitted,

UNITED STATES TELEPHONE ASSOCIATION

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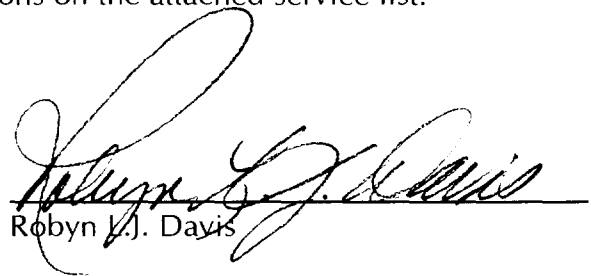
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October 13, 1998

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on October 13, 1998 copies of the Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.


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